

VILLAGE OF COLON  
ST. JOSEPH COUNTY, MICHIGAN

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

March 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>COLON VILLAGE</b>	County <b>ST. JOSEPH</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>9/22/05</b>	Date Accountant Report Submitted to State: <b>12/13/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

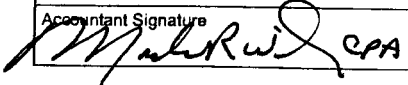
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>NORMAN &amp; PAULSEN, P.C.</b>			
Street Address <b>127 W. Chicago Road</b>		City <b>Sturgis</b>	State <b>MI</b>
Accountant Signature  <b>Michael R. Wilson</b>		ZIP <b>49091</b>	Date <b>12/13/05</b>

VILLAGE OF COLON

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor' s Report	1-2
Management' s Discussion and Analysis	3-8
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	12
Statement of Revenue, Expenditures, and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17-18
Notes to Financial Statements	19-35

VILLAGE OF COLON

TABLE OF CONTENTS

(Continued)

PAGE

**Required Supplemental Information**

Budgetary Comparison Schedule:

General Fund	36
Major Street Fund	37
Local Street Fund	38

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
--	----

# N & P

INDEPENDENT AUDITOR'S REPORT

Village Council  
Village of Colon, Michigan

**Norman & Paulsen, P.C.**

*Certified Public Accountants*

127 W. Chicago Road

Sturgis, MI 49091

269.651.3228

Fax 269.651.5146

E-mail

normanpaulsen@charter.net

Other Location:

123 N. Main Street

Three Rivers, MI 49093

269.273.8641

Fax 269.278.8252

E-mail

nptr@npaccounting.com

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Colon, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Colon management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Colon, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2005, on our consideration of the Village of Colon internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 1 to the financial statements, the Village of Colon adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of April 1, 2004.

September 22, 2005

*Norman J. Paulson, P.C.*

## **VILLAGE OF COLON**

### **MANAGEMENT' S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Village of Colon financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Village's financial statements.

#### **Financial Highlights**

The Village's overall financial position decreased by \$259,654 during the fiscal year ended March 31, 2005, which represents 7 percent of the net asset position at the beginning of the year. Included in the Village's total net assets of \$3,594,385 are the Sewer Disposal System Fund net assets of \$1,624,424 and the Water Supply System Fund net assets of \$1,479,002. The Sewage Disposal System's net assets decreased by \$62,758 and the Water Supply System's net assets decreased by \$130,803.

The Village's Governmental Funds reflected a total fund balance at March 31, 2005 of \$322,711, which was a decrease of \$42,503 from the prior year end. Included in this decrease was the General Fund which reflected an increase of \$5,320 and the Major Street and Local Street Funds which reflected a combined decrease of \$47,823.

The total Governmental Fund expenditures for the year ended March 31, 2005, amounted to \$633,197, of which \$253,059 (40 percent) was for public works; \$292,622 (46 percent) was for public safety; and \$66,075 (10 percent) was for general government.

#### **Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

# VILLAGE OF COLON

## MANAGEMENT' S DISCUSSION AND ANALYSIS

### The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2005	2004	2005	2004
Assets	\$ 487	\$ 395	\$ 5,622	\$ 5,823
Liabilities	164	30	2,519	2,526
Fund Equity				
Invested in capital assets, net of related debt	-	-	2,714	2,868
Retained Earnings				
Restricted	-	-	63	63
Unreserved	-	-	326	366
Fund Balances				
Reserved	111	91	-	-
Unreserved	212	274	-	-
Total Fund Equity	<u>\$ 323</u>	<u>\$ 365</u>	<u>\$ 3,103</u>	<u>\$ 3,297</u>



VILLAGE OF COLON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the net assets of the current date as required by GASB 34 stated under the full accrual basis. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

(dollars presented in thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Current and other assets	\$ 489	\$ 416
Capital assets	<u>182</u>	<u>5,092</u>
Total assets	671	5,508
Long-term debt outstanding	113	2,379
Other liabilities	<u>67</u>	<u>26</u>
Total liabilities	180	2,405
Net assets		
Invested in capital assets, net of related debt	69	2,714
Restricted	233	63
Unrestricted	<u>189</u>	<u>326</u>
Total net assets	<u>\$ 491</u>	<u>\$ 3,103</u>

# VILLAGE OF COLON

## MANAGEMENT' S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2005	2004	2005	2004
Revenue				
Taxes	\$ 297	\$ 289	\$ -	\$ -
Licenses and permits	10	11	-	-
State grants	227	231	-	-
Charges for services	33	35	366	369
Fines and forfeitures	3	2	-	-
Rents	-	-	27	27
Interest	3	3	5	7
Other	18	17	2	7
Total revenue	591	588	400	410
Program expenses				
General government	67	71	-	-
Public safety	293	318	-	-
Public works	253	171	-	-
Health and welfare	12	-	-	-
Recreation and cultural	2	3	-	-
Debt service	7	16	-	-
Sewer system	-	-	150	135
Water system	-	-	122	86
Depreciation	-	-	240	233
Interest expense	-	-	82	85
Total expenses	634	579	594	539
Excess (deficiency)	\$ (43)	\$ 9	\$ (194)	\$ (129)

## VILLAGE OF COLON

### MANAGEMENT' S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net assets as of the current date as required by GASB 34 stated under the full accrual basis of accounting. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

(dollars presented in thousands)

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Revenues		
Program revenues		
Charges for services	\$ 39	\$ 366
Operating grants and contributions	108	-
Capital grants and contributions	-	-
General revenues		
Property taxes	297	-
State shared revenues	123	-
Unrestricted investment earnings	3	4
Miscellaneous	<u>34</u>	<u>30</u>
Total revenues	604	400
Expenses		
General government	86	-
Public safety	302	-
Public works	262	-
Health and welfare	12	-
Recreation and cultural	2	-
Debt service	6	-
Sewer system	-	235
Water system	<u>-</u>	<u>359</u>
Total expenses	<u>670</u>	<u>594</u>
Change in net assets	<u>\$ (66)</u>	<u>\$ (194)</u>

#### The Village' s Funds

Our analysis of the Village's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. Major funds for the fiscal year ended March 31, 2005 include the General Fund and the Major Street and Local Street Funds.

The General fund pays for most of the Village's governmental services. The primary services include police protection services and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

## **VILLAGE OF COLON**

### **MANAGEMENT' S DISCUSSION AND ANALYSIS**

#### **General Fund Budgetary Highlights**

As shown in the required supplemental information, the Village budgeted a decrease of \$15,978 in the original budget and a decrease of \$22,161 in the amended budget. Actual operating results ended up as an increase of \$5,320.

The original budget was amended to reflect an increase in health and welfare (ambulance service contract) in the amount of \$6,183.

The actual results ended the fiscal year within \$27,481 of the amended budget.

#### **Capital Assets and Debt Administration**

During the year ended March 31, 2005, the total capital assets of the Village remained the same as the prior year end..

During the year ended March 31, 2005, the total debt obligations of the Village decreased by principal payments of \$83,707. Total debt obligations at March 31, 2005 amounted to \$2,491,272.

#### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**VILLAGE OF COLON**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2005**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business</u>	
	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
<b>ASSETS</b>			
Cash and investments	\$ 460,059	\$ 250,816	\$ 710,875
Receivables, net	62,703	48,781	111,484
Internal balances	(48,157)	48,157	-
Prepaid and other assets	14,154	4,944	19,098
Restricted assets	-	63,351	63,351
Capital assets - net	<u>181,900</u>	<u>5,092,198</u>	<u>5,274,098</u>
Total assets	670,659	5,508,247	6,178,906
<b>LIABILITIES</b>			
Accounts payable	64,059	4,421	68,480
Accrued and other liabilities	3,024	21,745	24,769
Debt obligations:			
Due within one year	47,451	90,000	137,451
Due in more than one year	<u>65,166</u>	<u>2,288,655</u>	<u>2,353,821</u>
Total liabilities	<u>179,700</u>	<u>2,404,821</u>	<u>2,584,521</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	69,283	2,713,543	2,782,826
Restricted:			
Debt service	-	17,052	17,052
Road maintenance	231,141	-	231,141
Water system maintenance	-	46,299	46,299
Other purposes	1,824	-	1,824
Unrestricted	<u>188,711</u>	<u>326,532</u>	<u>515,243</u>
Total net assets	<u>\$ 490,959</u>	<u>\$ 3,103,426</u>	<u>\$ 3,594,385</u>

See accompanying notes to financial statements

VILLAGE OF COLON

STATEMENT OF ACTIVITIES  
MARCH 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 86,444	\$ 20,727	\$ -	\$ -
Public safety	301,846	10,358	2,084	-
Public works	261,798	8,080	106,229	-
Health and welfare	12,051	-	-	-
Recreation and cultural	2,119	-	-	-
Interest on long-term debt	6,057	-	-	-
Total governmental activities	670,315	39,165	108,313	-
Business-type activities:				
Sanitary sewer	234,685	153,320	-	-
Water	359,395	212,922	-	-
Total business-type activities	594,080	366,242	-	-
Total primary government	<u>\$ 1,264,395</u>	<u>\$ 405,407</u>	<u>\$ 108,313</u>	<u>\$ -</u>

General revenues:  
  Property taxes  
  State shared revenues  
  Unrestricted investment earnings  
  Miscellaneous

Total general revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

See accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (65,717)	\$ -	\$ (65,717)
(289,404)	-	(289,404)
(147,489)	-	(147,489)
(12,051)	-	(12,051)
(2,119)	-	(2,119)
<u>(6,057)</u>	<u>-</u>	<u>(6,057)</u>
(522,837)	-	(522,837)
-	(81,365)	(81,365)
<u>-</u>	<u>(146,473)</u>	<u>(146,473)</u>
-	(227,838)	(227,838)
(522,837)	(227,838)	(750,675)
296,699	-	296,699
122,947	-	122,947
2,998	4,603	7,601
<u>34,100</u>	<u>29,674</u>	<u>63,774</u>
<u>456,744</u>	<u>34,277</u>	<u>491,021</u>
(66,093)	(193,561)	(259,654)
<u>557,052</u>	<u>3,296,987</u>	<u>3,854,039</u>
<u>\$ 490,959</u>	<u>\$ 3,103,426</u>	<u>\$ 3,594,385</u>



**FUND FINANCIAL STATEMENTS**

VILLAGE OF COLON

GOVERNMENTAL FUNDS  
BALANCE SHEET  
MARCH 31, 2005

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 250,381	\$ 25,445	\$ 73,894	\$ 349,720
Accounts receivable	1,692	-	-	1,692
Due from other governmental units	42,795	12,412	5,804	61,011
Due from other funds	29,176	34,656	-	63,832
Prepaid expenditures	<u>10,584</u>	<u>-</u>	<u>-</u>	<u>10,584</u>
Total assets	<u>\$ 334,628</u>	<u>\$ 72,513</u>	<u>\$ 79,698</u>	<u>\$ 486,839</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 42,977	\$ 114	\$ -	\$ 43,091
Accrued liabilities	2,934	-	-	2,934
Due to other funds	<u>88,518</u>	<u>-</u>	<u>29,585</u>	<u>118,103</u>
Total liabilities	134,429	114	29,585	164,128
FUND BALANCE				
Reserved for drug enforcement	1,824	-	-	1,824
Reserved for road maintenance	108,629	-	-	108,629
Unreserved, undesignated	<u>89,746</u>	<u>72,399</u>	<u>50,113</u>	<u>212,258</u>
Total fund balance	<u>200,199</u>	<u>72,399</u>	<u>50,113</u>	<u>322,711</u>
Total liabilities and fund balance	<u>\$ 334,628</u>	<u>\$ 72,513</u>	<u>\$ 79,698</u>	<u>\$ 486,839</u>

See accompanying notes to financial statements

VILLAGE OF COLON  
GOVERNMENTAL FUNDS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
MARCH 31, 2005

Total governmental fund balances \$ 322,711

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported in the funds.

Governmental capital assets	\$ 170,300	
Less accumulated depreciation	<u>(60,692)</u>	109,608

Certain liabilities are not due and payable in  
the current period and therefore are not  
reported in the funds.

Notes payable	(112,617)
---------------	-----------

Internal service funds are used by management  
to charge the costs of certain activities to  
individual funds. The assets and liabilities  
of the internal service funds are reported with  
governmental activities.

Net assets of the internal service funds	<u>171,257</u>
--	----------------

Net assets of governmental activities	<u>\$ 490,959</u>
---------------------------------------	-------------------

See accompanying notes to financial statements

VILLAGE OF COLON

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED MARCH 31, 2005

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
REVENUE				
Taxes	\$ 296,699	\$ -	\$ -	\$ 296,699
Licenses and permits	10,358	-	-	10,358
State grants	125,031	69,386	32,425	226,842
Charges for services	33,430	-	-	33,430
Fines and forfeitures	3,209	-	-	3,209
Interest	1,811	272	387	2,470
Other	<u>5,188</u>	<u>8,026</u>	<u>4,472</u>	<u>17,686</u>
Total revenue	475,726	77,684	37,284	590,694
EXPENDITURES				
Legislative	17,239	-	-	17,239
General government	48,836	-	-	48,836
Public safety	292,622	-	-	292,622
Public works	90,268	99,679	63,112	253,059
Health and welfare	12,051	-	-	12,051
Recreation and cultural	2,119	-	-	2,119
Debt service	<u>7,271</u>	<u>-</u>	<u>-</u>	<u>7,271</u>
Total expenditures	<u>470,406</u>	<u>99,679</u>	<u>63,112</u>	<u>633,197</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	5,320	( 21,995)	( 25,828)	( 42,503)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	16,000	16,000
Transfers to other funds	<u>-</u>	<u>( 16,000)</u>	<u>-</u>	<u>( 16,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>( 16,000)</u>	<u>16,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	5,320	( 37,995)	( 9,828)	( 42,503)
FUND BALANCE - BEGINNING OF YEAR	<u>194,879</u>	<u>110,394</u>	<u>59,941</u>	<u>365,214</u>
FUND BALANCE - END OF YEAR	<u>\$ 200,199</u>	<u>\$ 72,399</u>	<u>\$ 50,113</u>	<u>\$ 322,711</u>

See accompanying notes to financial statements

VILLAGE OF COLON  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005

Net change in fund balances - total governmental funds                      \$        (42,503)

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	-
Depreciation expense	(9,786)

Loan proceeds provide current financial resources to  
governmental funds in the period issued, but issuing debt  
increases long-term liabilities in the statement of net  
assets. Repayment of loan principal is an expenditure in  
the governmental funds, but the repayment reduces long-  
term liabilities in the statement of assets.

Proceeds from debt obligations	(2,507)
Principal payments on debt obligations	1,214

Internal service funds are used by management to charge  
the cost of certain services to individual governmental  
and business-type funds. The net revenue (expense) of  
the internal service funds are allocated to governmental  
and business-type activities.

Net change from internal service funds related to governmental activities	<u>(12,511)</u>
--	-----------------

Change in net assets of governmental activities	<u>\$ (66,093)</u>
---	--------------------

See accompanying notes to financial statements

**VILLAGE OF COLON  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
MARCH 31, 2005**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 121,588	\$ 3,675	\$ 125,263	\$ 110,339
Investments	125,553	-	125,553	-
Accounts receivable	20,510	28,271	48,781	-
Due from other funds	141,200	21,135	162,335	6,114
Prepaid and other assets	<u>2,950</u>	<u>1,994</u>	<u>4,944</u>	<u>3,570</u>
Total current assets	411,801	55,075	466,876	120,023
<b>NONCURRENT ASSETS</b>				
Restricted assets	-	63,351	63,351	-
Capital assets, net of depreciation	<u>1,215,274</u>	<u>3,876,924</u>	<u>5,092,198</u>	<u>72,292</u>
Total noncurrent assets	<u>1,215,274</u>	<u>3,940,275</u>	<u>5,155,549</u>	<u>72,292</u>
Total assets	1,627,075	3,995,350	5,622,425	192,315
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of long-term debt	-	90,000	90,000	-
Accounts payable	1,658	2,763	4,421	20,968
Accrued and other liabilities	993	20,752	21,745	90
Due to other funds	<u>-</u>	<u>114,178</u>	<u>114,178</u>	<u>-</u>
Total current liabilities	2,651	227,693	230,344	21,058
<b>NONCURRENT LIABILITIES</b>				
Long-term debt, net of current portion	<u>-</u>	<u>2,288,655</u>	<u>2,288,655</u>	<u>-</u>
Total liabilities	<u>2,651</u>	<u>2,516,348</u>	<u>2,518,999</u>	<u>21,058</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,215,274	1,498,269	2,713,543	72,292
Restricted for maintenance and repair	-	46,299	46,299	-
Restricted for debt service	-	17,052	17,052	-
Unrestricted	<u>409,150</u>	<u>(82,618)</u>	<u>326,532</u>	<u>98,965</u>
Total net assets	<u>\$1,624,424</u>	<u>\$1,479,002</u>	<u>\$3,103,426</u>	<u>\$ 171,257</u>

See accompanying notes to financial statements

VILLAGE OF COLON  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES,  
 AND CHANGES IN NET ASSETS  
 YEAR ENDED MARCH 31, 2005

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
OPERATING REVENUE				
Charges for services	\$ 153,320	\$ 212,922	\$ 366,242	\$ 52,050
OPERATING EXPENSES				
Operating and administrative	149,625	122,350	271,975	29,494
Depreciation	<u>85,060</u>	<u>154,844</u>	<u>239,904</u>	<u>35,595</u>
Total operating expenses	<u>234,685</u>	<u>277,194</u>	<u>511,879</u>	<u>65,089</u>
OPERATING INCOME (LOSS)	(81,365)	(64,272)	(145,637)	(13,039)
NONOPERATING REVENUE (EXPENSES)				
Rental income	13,125	14,100	27,225	-
Investment income	4,213	390	4,603	528
Other revenue	1,269	1,180	2,449	-
Interest expense	<u>-</u>	<u>(82,201)</u>	<u>(82,201)</u>	<u>-</u>
Total nonoperating revenue (expense)	<u>18,607</u>	<u>(66,531)</u>	<u>(47,924)</u>	<u>528</u>
CHANGE IN NET ASSETS	(62,758)	(130,803)	(193,561)	(12,511)
NET ASSETS - BEGINNING OF YEAR	<u>1,687,182</u>	<u>1,609,805</u>	<u>3,296,987</u>	<u>183,768</u>
NET ASSETS - ENDING OF YEAR	<u>\$1,624,424</u>	<u>\$1,479,002</u>	<u>\$3,103,426</u>	<u>\$ 171,257</u>

See accompanying notes to financial statements

**VILLAGE OF COLON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2005**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 158,119	\$ 211,815	\$ 369,934	\$ -
Receipts for internal services	-	-	-	52,050
Payments to employees and suppliers	( 238,621)	( 69,338)	( 307,959)	( 45,434)
Net cash provided (used) by operating activities	( 80,502)	142,477	61,975	6,616
Cash flows from non-capital financing activities				
Other receipts	14,394	15,280	29,674	-
Cash flows from capital and related financing activities				
Principal paid on debt	-	( 85,000)	( 85,000)	-
Interest paid on debt	-	( 82,329)	( 82,329)	-
Acquisition of capital assets	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	( 167,329)	( 167,329)	-
Cash flows from investing activities				
Interest received on investments	4,213	390	4,603	528
Purchase of investment	( 2,585)	-	( 2,585)	-
Net cash provided (used) by investing activities	1,628	390	2,018	528
Net increase (decrease) in cash	( 64,480)	( 9,182)	( 73,662)	7,144
Cash and Cash Equivalents - Beginning of Year	186,068	76,208	262,276	103,195
Cash and Cash Equivalents - End of Year	<u>\$ 121,588</u>	<u>\$ 67,026</u>	<u>\$ 188,614</u>	<u>\$ 110,339</u>

See accompanying notes to financial statements



VILLAGE OF COLON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS - Continued  
 YEAR ENDED MARCH 31, 2005

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (81,365)	\$ (64,272)	\$ (145,637)	\$ (13,039)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	85,060	154,844	239,904	35,595
(Increase) decrease in:				
Accounts receivable	4,799	(1,107)	3,692	-
Other current assets	(2,950)	(1,994)	(4,944)	(3,570)
Due from other funds	(88,075)	(20,903)	(108,978)	1,886
Increase (decrease) in:				
Accounts payable	1,035	1,095	2,130	(14,346)
Accrued liabilities	994	636	1,630	90
Due to other funds	-	74,178	74,178	-
Net cash provided by (used for) operating activities	<u>\$ (80,502)</u>	<u>\$ 142,477</u>	<u>\$ 61,975</u>	<u>\$ 6,616</u>

See accompanying notes to financial statements

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Colon conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to villages. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the Village the option of electing to apply FASB pronouncements issued after November 30, 1989. The Village has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the Village are discussed below.

The Village adopted GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments Omnibus* as of April 1, 2004. Certain of the significant changes in GASB 34 include the following:

- \* A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operation has been included with the financial statements.
- \* Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided.
- \* Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$119,394 previously reported in the General Fixed Asset Account Group. In addition, the governmental activities column includes debt obligations totaling \$111,324 previously reported in the General Long-Term Debt Account Group.
- \* A change in the fund financial statements to focus on major funds.

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Village also adopted GASB 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004. GASB 38 modifies note disclosures required by GAAP. The adoption of this change in accounting principles had no effect on the financial condition or result of operations of any of the Village's funds as of and for the year ended March 31, 2005, but did change some of the disclosures required for the notes to the financial statements.

**Reporting Entity**

The Village of Colon operates a Council-President form of government and provides the following services as authorized by its charter: public safety (police, fire and inspections), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Village (the primary government) and its component units, entities for which the Village is considered to be financially accountable. There are no component units to be included in these financial statements.

**Basis of Accounting - Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the Village as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling-up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Village and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Village.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**Basis of Accounting - Fund Financial Statements** - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- \* Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

\* Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

\* Any fund the Village elects to include as a major fund.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Village reports the following major funds:

**General Fund** - The general fund is the general operating fund of the Village. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

**Special Revenue Funds**

**Major Street Fund** - To account for gas and weight tax allocations to the Village by the Michigan Department of Transportation for construction and maintenance of major streets within the Village.

**Local Street Fund** - To account for gas and weight tax allocations to the Village by the Michigan Department of Transportation for construction and maintenance of local streets within the Village.

**Enterprise Funds**

**Sewage Disposal System Fund** - To account for user charges and for operating expenses and debt service of the Village's sewer system.

**Water Supply System Fund** - To account for user charges and for operating expenses and debt service of the Village's water system.

The following is a description of two major categories and various fund types within those categories into which the funds are grouped:

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Governmental Fund** - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Revenue Recognition** - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

**Expenditure Recognition** - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Village:

**General Fund** - The general fund is the general operating fund of the Village. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

**Proprietary Funds** - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. The water and sewer funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the Village:

**Enterprise Funds** - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

**Internal Service Funds** - Internal service funds are used to record the financing of goods or services provided by the Village to other departments and funds or to other governmental units on a cost reimbursement basis.

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Budgets and Budgetary Accounting** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- \* On or about February 1, the Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- \* Public hearings are conducted to obtain taxpayer comments.
- \* On or about April 1, the budget is legally enacted through passage of resolution.
- \* The Village President is authorized to transfer budgeted amounts within departments.
- \* The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
- \* Appropriations for the general fund and special revenue funds lapse at the end of the fiscal year.
- \* Budgeted amounts are as originally adopted or as amended by the Village Council.

**Deposits and Investments** - Statutes authorize the primary government and component units to invest in the following:

- \* In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- \* In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.



VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- \* In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- \* In United States government of federal agency obligation repurchase agreements.
- \* In banker's acceptances of United States banks.
- \* In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- \* In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Capital Assets and Depreciation** - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	15-40
Streets	15-20
Utility systems	30-50
Buildings and improvements	15-50
Machinery and equipment	5-20
Vehicles	2-7
Furniture and other	3-7

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Property Taxes** - The Village's property taxes are levied as an enforceable lien on property as of December 1. Village taxes are levied on the following July 1 and are payable without penalty through September 16. Real property taxes not collected as of March 1 are turned over to St. Joseph County for collection. The County advances the Village 100% for delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village's treasurer. The Village's property taxes levied on July 1 provide the revenue for the current fiscal year.

The assessed and state equalized taxable value of real and personal property located in the Village totaled \$23,338,862. The Village's general operating levy for the year was based on a millage rate of 11.2283.

**Compensated Absences** - It is the Village's policy to not pay for unused vacation or sick days and not to allow accumulation of unpaid days. Therefore, no current or long-term liability has been accrued.

**Fund Equity** - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS

The Village's deposits and investments are included on the balance sheet under the following classifications:

	<u>Primary Government</u>
Statement of Net Assets:	
Cash and investments	\$ 710,875
Restricted assets	<u>63,351</u>
Total	<u>\$ 774,226</u>
Deposits and Investments:	
Bank deposits (checking accounts and savings accounts)	\$ 618,673
Certificates of deposit	<u>155,553</u>
Total	<u>\$ 774,226</u>

**Deposits** - The deposits of the Village were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$798,649. Of that amount, approximately \$355,553 was covered by federal depository insurance and \$443,096 was uninsured and uncollateralized.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution it deposits Village Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - RECEIVABLES

Receivables in the governmental activities are 97 percent due from other governments, 2 percent accounts receivable, and 1 percent accrued interest receivable. Business-type activities receivables are 99 percent due from customers and 1 percent accrued interest receivable.

Accounts receivable in the governmental activities and the business-type activities are reported net of an allowance for uncollectible accounts of -0-.

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables consisted of the following at March 31, 2005:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
<u>Due from/to other funds</u>			
General	\$ 29,176	Local Street	\$ 29,176
Major Streets	34,656	General	34,247
		Local Street	<u>409</u>
			34,656
Motor Pool	6,114	General	6,114
Sewer	141,200	General	27,022
		Water	<u>114,178</u>
			141,200
Water	<u>21,135</u>	General	<u>21,135</u>
Totals	<u>\$ 232,281</u>		<u>\$ 232,281</u>

The Due From/To Other Fund balances resulted from temporary loans to cover cash short falls in a given fund and from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers consisted of the following for the year ended March 31, 2005:

<u>Fund</u>	<u>Transfers Out</u>	<u>Fund</u>	<u>Transfers In</u>
Major Street	<u>\$ 16,000</u>	Local Street	<u>\$ 16,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) the transfer from the major street fund to the local street fund represents the sharing of gas and weight tax revenues; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2005, was as follows:

	Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 13,600	\$ -	\$ -	\$ 13,600
Capital assets, being depreciated:				
Buildings and improvements	95,263	-	-	95,263
Machinery and equipment	296,063	-	-	296,063
Vehicles	59,437	-	-	59,437
Subtotal	450,763	-	-	450,763
Accumulated depreciation				
Buildings and improvements	15,905	1,905	-	17,810
Machinery and equipment	188,176	35,595	-	223,771
Vehicles	33,001	7,881	-	40,882
Subtotal	237,082	45,381	-	282,463
Net capital assets being depreciated	213,681			168,300
Net capital assets	\$ 227,281			\$ 181,900

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 5 - CAPITAL ASSETS - Continued

	Balance April 1, 2004	Additions	Disposals/ Transfers	Balance March 31, 2005
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 38,841	\$ -	\$ -	\$ 38,841
Capital assets, being depreciated:				
Sewage disposal system	3,073,544	-	-	3,073,544
Water supply system	<u>4,431,858</u>	<u>-</u>	<u>-</u>	<u>4,431,858</u>
Subtotal	7,505,402	-	-	7,505,402
Accumulated depreciation				
Sewage disposal system	1,773,210	85,060	-	1,858,270
Water supply system	<u>438,931</u>	<u>154,844</u>	<u>-</u>	<u>593,775</u>
Subtotal	<u>2,212,141</u>	<u>239,904</u>	<u>-</u>	<u>2,452,045</u>
Net capital assets being depreciated	<u>5,293,261</u>			<u>5,053,357</u>
Net capital assets	<u>\$ 5,332,102</u>			<u>\$ 5,092,198</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Business-type activities:

General government	\$ 418
Public safety	9,224
Public works	<u>35,739</u>

Sanitary Sewer	\$ 85,060
Water	<u>154,844</u>

Total \$ 45,381

Total \$ 239,904

**VILLAGE OF COLON**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005**

**NOTE 6 - LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended March 31, 2005:

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005	Current Portion
<b>Governmental Activities</b>					
Note payable	\$ 43,690	\$ 2,507	\$ -	\$ 46,197	\$ 46,197
Note payable	<u>67,634</u>	<u>-</u>	<u>1,214</u>	<u>66,420</u>	<u>1,254</u>
	111,324	2,507	1,214	112,617	47,451
<b>Business-Type Activities</b>					
Revenue bonds	790,000	-	5,000	785,000	10,000
Revenue bonds	<u>1,673,655</u>	<u>-</u>	<u>80,000</u>	<u>1,593,655</u>	<u>80,000</u>
	<u>2,463,655</u>	<u>-</u>	<u>85,000</u>	<u>2,378,655</u>	<u>90,000</u>
Total Primary Government Long-Term Debt	<u>\$ 2,574,979</u>	<u>\$ 2,507</u>	<u>\$ 86,214</u>	<u>\$ 2,491,272</u>	<u>\$ 137,451</u>

Long-term debt payables at March 31, 2005, consisted of the following individual issues:

**Governmental Activities**

Note payable to bank, balance due  
November 30, 2005, plus interest  
at 3.96% secured by fire truck \$ 46,197

Note payable to bank, monthly payments  
of \$365 including interest at 4.75%,  
final payment of \$64,415 due January  
11, 2007 secured by real estate 66,420

Total Governmental Activities  
Long-Term Liabilities \$ 112,617

**Business-Type Activities**

2000 Water Supply System USA Revenue Bonds  
approved in the amount of \$805,000,  
payable in annual installments of \$5,000  
to \$45,000 beginning October 1, 2001  
through October 1, 2040, interest at  
5.125%, payable semi-annually \$ 785,000



VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

NOTE 6 - LONG-TERM DEBT - Continued

2000 Water Supply System DWRF Revenue Bonds  
approved in the amount of \$2,085,000,  
payable in annual installments of \$80,000  
to \$130,000 beginning April 1, 2004 through  
April 1, 2022, interest at 2.5%, payable  
semi-annually 1,593,655

Total Business-Type Activities 2,378,655  
Long-Term Liabilities

Total Primary Government Long-Term Debt \$ 2,491,272

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2005, including both principal and interest, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 47,451	\$ 4,349	\$ 51,800
2007	<u>65,166</u>	<u>2,307</u>	<u>67,473</u>
Total	<u>\$ 112,617</u>	<u>\$ 6,656</u>	<u>\$ 119,273</u>

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 90,000	\$ 79,642	\$ 169,642
2007	100,000	77,060	177,060
2008	105,000	74,298	179,298
2009	105,000	71,410	176,410
2010	105,000	68,260	173,260
2011-2015	570,000	312,113	882,113
2016-2020	665,000	229,014	894,014
2021-2025	188,655	154,166	342,821
2026-2030	115,000	126,075	241,075
2031-2035	145,000	93,275	238,275
2036-2040	<u>190,000</u>	<u>59,194</u>	<u>249,194</u>
Total	<u>\$ 2,378,655</u>	<u>\$ 1,344,507</u>	<u>\$ 3,723,162</u>

VILLAGE OF COLON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**NOTE 7 - RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 8 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The annual budget is prepared by the Village President and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Village were adopted on a fund level basis.

During the year ended March 31, 2005, the Village incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF COLON

REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED MARCH 31, 2005

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
Taxes	\$ 288,000	\$ 288,000	\$ 296,699	\$ 8,699
Licenses and permits	6,850	6,850	10,358	3,508
State grants	125,650	125,650	125,031	(619)
Charges for services	40,000	40,000	33,430	(6,570)
Fines and forfeitures	2,350	2,350	3,209	859
Interest	1,910	1,910	1,811	(99)
Other	3,770	3,770	5,188	1,418
Total revenues	468,530	468,530	475,726	7,196
EXPENDITURES				
Legislative	18,313	18,313	17,239	1,074
General government	50,752	50,752	48,836	1,916
Public safety	299,926	299,926	292,622	7,304
Public works	97,700	97,700	90,268	7,432
Health and welfare	5,868	12,051	12,051	-
Recreation and cultural	3,346	3,346	2,119	1,227
Debt service	8,603	8,603	7,271	1,332
Total expenditures	484,508	490,691	470,406	20,285
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,978)	(22,161)	5,320	27,481
FUND BALANCE - Beginning of year	194,879	194,879	194,879	-
FUND BALANCE - End of year	\$ 178,901	\$ 172,718	\$ 200,199	\$ 27,481

VILLAGE OF COLON

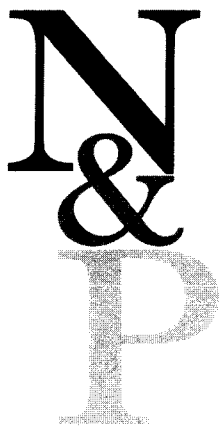
REQUIRED SUPPLEMENTAL INFORMATION  
MAJOR STREET FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
REVENUE				
State grant	\$ 67,000	\$ 67,000	\$ 69,386	\$ 2,386
Interest	715	715	272	( 443)
Other	<u>5,800</u>	<u>5,800</u>	<u>8,026</u>	<u>2,226</u>
Total revenues	73,515	73,515	77,684	4,169
EXPENDITURES				
Public works	<u>69,078</u>	<u>104,078</u>	<u>99,679</u>	<u>4,399</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	4,437	( 30,563)	( 21,995)	8,568
OTHER FINANCING (USES)				
Transfer to other funds	<u>(16,000)</u>	<u>(16,000)</u>	<u>(16,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER USES	( 11,563)	( 46,563)	( 37,995)	8,568
FUND BALANCE - BEGINNING OF YEAR	<u>110,394</u>	<u>110,394</u>	<u>110,394</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 98,831</u>	<u>\$ 63,831</u>	<u>\$ 72,399</u>	<u>\$ 8,568</u>

VILLAGE OF COLON

REQUIRED SUPPLEMENTAL INFORMATION  
LOCAL STREET FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
REVENUE				
State grant	\$ 31,000	\$ 31,000	\$ 32,425	\$ 1,425
Interest	250	250	387	137
Other	<u>3,600</u>	<u>3,600</u>	<u>4,472</u>	<u>872</u>
Total revenues	34,850	34,850	37,284	2,434
EXPENDITURES				
Public works	<u>59,081</u>	<u>67,081</u>	<u>63,112</u>	<u>3,969</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	( 24,231)	( 32,231)	( 25,828)	6,403
OTHER FINANCING SOURCES				
Transfers from other funds	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	( 8,231)	( 16,231)	( 9,828)	6,403
FUND BALANCE - BEGINNING OF YEAR	<u>59,941</u>	<u>59,941</u>	<u>59,941</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 51,710</u>	<u>\$ 43,710</u>	<u>\$ 50,113</u>	<u>\$ 6,403</u>



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Village Council  
Village of Colon

We have audited the financial statements of Village of Colon as of and for the year ended March 31, 2005, and have issued our report thereon dated September 22, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Norman & Paulsen, P.C.**

*Certified Public Accountants*

127 W. Chicago Road  
Sturgis, MI 49091  
269.651.3228  
Fax 269.651.5146  
E-mail  
normanpaulsen@charter.net

Compliance - As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Other Location:  
123 N. Main Street  
Three Rivers, MI 49093  
269.273.8641  
Fax 269.278.8252  
E-mail  
nptr@npaccounting.com

Internal Control Over Financial Reporting - In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Village Council, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Norman & Paulsen, P.C.*

September 22, 2005

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrel T. Norman (1941-1982)